

Research Markets Today

3 April 2024

Events Round-Up

GE: CPI EU harmonised (y/y%), Mar: 2.3 vs. 2.4 exp.

US: JOLTS job openings (k), Feb: 8756 vs. 8730 exp.

Good Morning

Global rates are higher, with the US 10-year Treasury yield reaching a fresh high for the year of 4.40%, not helped by oil prices rising to fresh year-to-date highs. Equity investors are showing further signs of fatigue, with the S&P500 close to 1%. Currency moves have been modest but, despite weaker risk appetite, the USD is broadly weaker and the NZD is up slightly overnight to 0.5965.

In overnight trading, the sell-off of US Treasuries post the strong ISM manufacturing survey earlier this week extended, seeing the 10-year yield break previous support at 4.35% to reach a fresh 2024 high of 4.40%. As we go to print the yield has fallen back to 4.36%, up 6bps from the NZ close. The curve is steeper, with the 2-year rate barely higher at 4.70%. Higher rates across Europe in the order of 10-15bps reflect some catch-up to US rates after the Easter Monday holiday.

There weren't any particularly triggers for the move up in yields, but certainly higher oil and other commodity prices didn't help. Ahead of the peak in rates, Brent crude had reached a fresh 2024 high above USD89 per barrel and it is currently up 1½% on the day to USD88.60. Industrial commodity prices were mostly higher, including a 1.4% gain in 3-mth forward copper on the LME, which re-visited the USD9000/mt mark. Higher commodity prices follow the recent positive surprise in China PMI data.

Even the overnight GDT dairy auction positively surprised, with a 2.8% gain for the price index, with whole milk powder up 3.4%, skim milk powder up 1.4% and butter and cheese up in the order of 3-4%.

Economic data and Fed-speak didn't appear to be market-moving. Cleveland Fed President Mester, a voter this year on the FOMC, said she needs to see more data viz "some further monthly readings will give us a better sense of whether the disinflation process is stalling out or whether the start-of-the-year readings reflect a temporary detour on the downward path back to price stability". She added that this is unlikely to come ahead of the next meeting. While her forecasts are similar to the median estimates,

she noted she had raised her long-term Fed Funds forecast from 2.5% to 3.0% at the last meeting.

The US JOLTS data showed 8.76m job openings in February, little changed from downwardly revised January figures and broadly in line with expectations. The ratio of job openings to unemployed nudged down to a four-month low of 1.36 while the quits rate, a good leading indicator of wage inflation, was steady near its 3½-year low of 2.2 – nothing here to change the prevailing narrative of easier labour market conditions, but with some underlying resilience.

German annual CPI inflation fell to 2.3% y/y in March, a tick weaker than expected, following recent data showing falls for France, Italy and Spain. Inflation heading towards target across the region will support the call for the ECB to cut rates in June, which is fully priced by the market.

Equity markets are struggling this week, with the S&P500 down again, with a meatier fall for the current session, down near 1% as we go to print. Investors are showing some signs of buyer fatigue following the 10.2% gain for Q1, which is understandable. The Euro Stoxx 600 index closed down 0.8%.

Currency movements have been well contained for the key majors we follow. Despite weaker risk appetite, the USD is broadly weaker albeit down only 0.2% for the day on the DXY index. Higher commodity prices have supported the AUD, which has pushed back up through the 0.65 mark. The NZD shows a small gain overnight to 0.5965 and NZD/AUD continues to grind lower, at 0.9160 after making a fresh 2024 low just over 0.9150. NZD cross movements overall have been small.

Yesterday, the domestic rates market performed relatively well against the backdrop of higher global rates, outperforming on a cross-market basis despite a chunk of new supply hitting the market. NZDM launched the syndication of a new May 2035 nominal bond, targeting \$3-5b and initial price guidance of 4-8bps over the 2034 bond. The syndication closely follows \$4b of 30-year supply in late February. Asset swap levels at this maturity makes the new line attractive for domestic bank balance sheets and NZ fixed interest benchmark adjustments will also contribute to NZGB demand later in April. However, tight spreads to US Treasuries could make the new 2035 maturity less compelling for non-resident investors. An update on the deal last night showed strong demand for

the new bonds, with an order book of over \$13b and price guidance narrowed to +5-6bps.

NZGB yields rose by only 4-5bps across the curve yesterday, with swap rates up 2-5bps. The global bond sell-off overnight has driven Australia's 10-year bond future up 6bps in yield terms since the NZ close, which will set the tone for trading on the NZ open.

Key releases in the day ahead will be euro area CPI, where the consensus expects annual headline and core inflation to nudge down further, and the US ISM services index, which is expected to tick higher. The market will be sensitive to the prices paid component as well as the headline index. Fed Chair Powell speaks as well, but he isn't expected to reveal anything new.

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Coming Up

		Period	Cons.	Prev.	NZT
CH	Caixin PMI services	Mar	52.5	52.5	14:45
EC	CPI (y/y%)	Mar	2.5	2.6	22:00
EC	CPI core (y/y%)	Mar	3.0	3.1	22:00
EC	Unemployment rate (%)	Feb	6.4	6.4	22:00
US	ADP employment change (k)	Mar	150	140	01:15
US	ISM services	Mar	52.8	52.6	03:00
US	Fed's Powell speaks on economic outlook				05:10

Source: Bloomberg, BNZ

Currencies						Equities				Commodities				
Global froces		Indicative overnight ranges (*)			Other FX		Major Indices				Price (Near futures, except CRB)			
	Last	% Day	Low	High	Last	% Day	Last	% Day	% Year	Last	Net Day			
NZD	0.5966	+0.2	0.5944	0.5973	CHF	0.9074	+0.3	S&P 500	5,195	-0.9	26.4	Oil (Brent)	88.77	+1.6
AUD	0.6514	+0.4	0.6486	0.6524	SEK	10.729	-0.7	Dow	39,089	-1.2	17.5	Oil (WTI)	85.01	+1.6
EUR	1.0767	+0.2	1.0725	1.0779	NOK	10.848	-1.0	Nasdaq	16,207	-1.2	32.6	Gold	2261.0	+0.9
GBP	1.2574	+0.2	1.2540	1.2578	HKD	7.829	+0.0	Stoxx 50	5,042	-0.8	19.2	HRC steel	865.0	+0.2
JPY	151.57	-0.1	151.47	151.76	CNY	7.233	+0.0	FTSE	7,935	-0.2	4.9	CRB	292.3	+0.7
CAD	1.3573	+0.0			SGD	1.352	-0.1	DAX	18,283	-1.1	19.3	Wheat Chic.	562.3	-1.8
NZD/AUD	0.9159	-0.1			IDR	15,897	+0.0	CAC 40	8,130	-0.9	13.1	Sugar	22.32	-1.8
NZD/EUR	0.5541	-0.0			THB	36.64	+0.2	Nikkei	39,839	+0.1	41.3	Cotton	90.86	-2.0
NZD/GBP	0.4745	+0.0			KRW	1,352	+0.2	Shanghai	3,075	-0.1	-6.7	Coffee	197.8	+2.9
NZD/JPY	90.43	+0.2			TWD	32.07	+0.3	ASX 200	7,888	-0.1	9.2	WM powder	3160	+0.3
NZD/CAD	0.8098	+0.2			PHP	56.36	+0.2	NZX 50	12,096	-0.1	2.2	Australian Futures		
NZ TWI	70.34	+0.2						VIX Index	14.86	+8.9	-20.5	3 year bond	96.38	-0.07
												10 year bond	95.88	-0.13
Interest Rates						NZ Government Bonds				NZ BKBM and Swap Yields				
Rates		Swap Yields		Benchmark 10 Yr Bonds		Last			Chg					
	Cash	3Mth	2 Yr	10 Yr	Last	Net Day						Last	Chg	
USD	5.50	5.56	4.61	3.98	USD	4.36	0.05	15-May-26	4.64	0.04		BKBM 1-mth	5.59	0.00
AUD	4.35	4.34	4.00	4.33	AUD	4.07	0.11	15-Apr-27	4.46	0.04		BKBM 3-mth	5.63	-0.00
NZD	5.50	5.63	4.82	4.42	NZD	4.65	0.05	15-May-28	4.41	0.04		1 year	5.31	-0.00
EUR	4.00	3.89	3.14	2.68	GER	2.40	0.10	20-Apr-29	4.42	0.05		2 year	4.82	0.03
GBP	5.25	5.30	4.45	3.78	GBP	4.09	0.15	15-May-30	4.45	0.05		3 year	4.53	0.02
JPY	0.08	-0.03	0.30	0.87	JPY	0.75	0.01	15-May-31	4.505	0.05		5 year	4.33	0.04
CAD	5.00	5.30	4.56	3.95	CAD	3.61	0.03	15-May-32	4.56	0.05		7 year	4.33	0.04
								14-Apr-33	4.60	0.05		10 year	4.42	0.05
								15-May-34	4.65	0.05		15 year	4.56	0.05
								15-May-37	4.81	0.05				
								15-May-41	4.93	0.05				
								15-May-51	4.93	0.05				
								15-May-54	4.96	0.05				

* These are indicative ranges from 5pm NZT; please confirm rates with your BNZ dealer
Rates are as of: NZT 07:00

Source: Bloomberg

NZD exchange rates

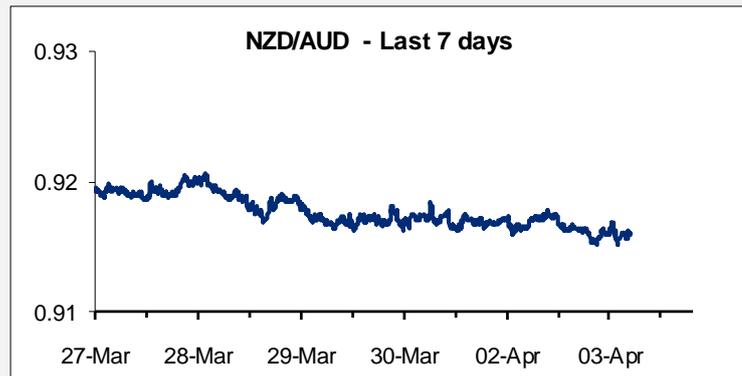
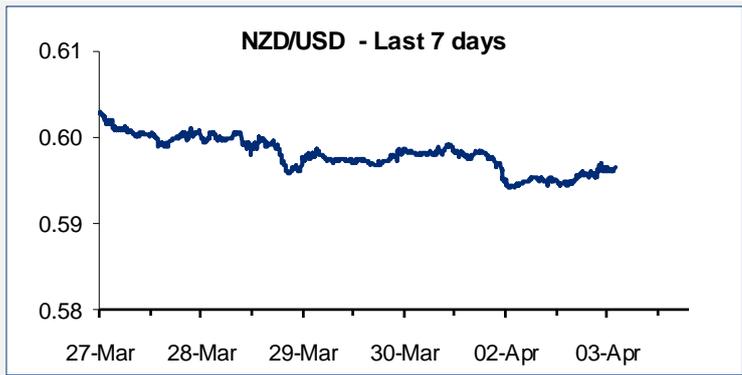
3/04/2024	7:00 am	Prev. NY close
USD	0.5966	0.5953
GBP	0.4745	0.4743
AUD	0.9159	0.9174
EUR	0.5541	0.5541
JPY	90.43	90.28
CAD	0.8098	0.8078
CHF	0.5414	0.5383
DKK	4.1323	4.1329
FJD	1.3571	1.3570
HKD	4.6707	4.6586
INR	49.75	49.65
NOK	6.4717	6.5234
PKR	165.78	165.57
PHP	33.61	33.49
PGK	2.2522	2.2473
SEK	6.4007	6.4290
SGD	0.8064	0.8050
CNY	4.3151	4.3045
THB	21.86	21.68
TOP	1.3852	1.3932
VUV	72.33	71.61
WST	1.6382	1.6177
XPF	65.96	66.01
ZAR	11.1891	11.2757

NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	0.04	0.36
3 Months	-0.10	0.50
6 Months	-0.84	0.64
9 Months	-0.54	1.49
1 Year	-0.65	2.35

NZD/AUD Forward points

	BNZ buys NZD	BNZ Sells NZD
1 Month	-8.42	-7.55
3 Months	-23.62	-22.28
6 Months	-44.92	-41.46
9 Months	-62.47	-57.65
1 Year	-76.02	-68.50



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